

Announcement | Lisbon | 15 December 2017

OPINION OF THE BOARD OF DIRECTORS ON THE JUDICIAL RECOVERY PLAN OF OI

Pharol SGPS, S.A. (“PHAROL”), in its capacity of major shareholder of Oi, S.A. (“OI”), informs that, on a meeting held on December 14, 2017, its Board of Directors has analysed the Recovery Plan of Oi, which has been submitted to court by the CEO, Mr. Eurico Telles, on December 12, 2017.

PHAROL has learned that (a) the abovementioned Recovery Plan was submitted to court without its terms and conditions being previously to the knowledge of the Board of Directors of OI, which only had access to information on its meeting of December 13, 2017, and (b) on December 14, 2017, the Executive Board of OI has requested the adoption of a judicial measure, in order to prevent the regular functioning of the Board of Directors and the exercise of the legitimate rights by the shareholders of the company.

Against this background, considering the arbitrariness and disrespect for the governance rules of Oi, PHAROL expresses its dissatisfaction and disagreement with the Recovery Plan of December 12, 2017.

More specifically, on what concerns the conversion of credits into shares, the Recovery Plan does not present fair solutions to the different entities involved in the process, it being clear that PHAROL is particularly disadvantaged, notwithstanding the relevant capital it invested for many years, and its institutional and long-term strategy in the company.

On the other hand, the Plan clearly benefits current bondholders, who represent speculative capital in search of high short-term returns through aggressive strategies, without any concern for the preservation of the company (as evidenced in a recent court decision in New York). To great surprise and indignation of PHAROL, this unbalanced and unfair Plan seeks to privilege a group of creditors to the detriment of thousands of investors who, of greater or lesser relevance in the capital markets of the world, have consistently invested in the company, which raises serious doubts of its compatibility with mandatory laws.

Apart from the privileged treatment of certain creditors of OI, on what concerns the governance of the company, the Plan presents several breaches to basic rules and principles that could never gain acceptance by current shareholders or other capital markets’ investors, such as the removal of mechanisms destined to control the performance of the Executive Board and which are capable of bringing immeasurable loss to the company. The Plan foresees a CEO, not elected by

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and Corporation no. 503 215058

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may be accessed on Bloomberg
under the symbol PHRPL.

Luis Sousa deMacedo
Investor Relations Director
ir@pharol.pt
Tel.: +351 212 697698
Fax: +351 212 697949



the Board of Directors or by the General Meeting of Shareholders, with the power to appoint or dismiss members of the Board of Directors and of the Executive Board, without any participation whatsoever of the corporate bodies elected by the shareholders to change the composition of the Board of Directors.

Finally, PHAROL is of the understanding that a negotiated solution should be pursued through dialogue, in order to reconcile interests and not harm rights.

In any case, PHAROL, as shareholder of OI, will resort to all legal means in Brazil and abroad to protect its interests, in face of the absence of dialogue by the Executive Board of Oi, and to defend its rights harmed by the illegal measures included in the submitted Recovery Plan of OI.

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